



U.S. Department of Housing and Urban
Development
Community Planning and Development

Special Attention of:

All Secretary's Representatives
All State Coordinators
All CPD Division Directors
All Participating Jurisdictions

Notice: CPD 97-04

Issued: April 17, 1997
Expires: April 17, 1998

Cross Reference:

Subject: HOME Program - Match Reductions for Fiscal Distress for Fiscal
Years 1996 and 1997, and for Presidentially-Declared Disasters

I. Purpose

The purpose of this notice is to provide match reductions for HOME Program participating jurisdictions (PJs) satisfying the distress criteria in accordance with 24 CFR 92.222 of the HOME Program regulations. This notice also describes procedures for notifying Headquarters of match reductions approved by Field Offices for Presidentially-declared disasters.

III. Matching Contribution Requirement

Starting with Fiscal Year 1993 funds, participating jurisdictions were required to make contributions to housing that qualifies as affordable housing under the HOME Program. During a fiscal year, the contributions must total not less than 25 percent of the HOME funds drawn from the PJ's HOME Investment Trust Fund Treasury account in that fiscal year for project costs, unless the participating jurisdiction has received a reduction in the match requirement. Eligible forms of matching contribution are listed at 24 CFR 92.220.

The HOME Program statute provides for a reduction of the matching contribution requirement under the following two circumstances:

A. Fiscal Distress

Section 92.222 of the HOME regulations provides that HUD may grant a match reduction to State and local PJs if it finds that the State or local government is in fiscal distress or severe fiscal distress. The match obligation for PJs in fiscal distress and severe fiscal distress shall be reduced by 50 percent and 100 percent respectively, for the fiscal year in which the finding is made and the next fiscal year.

B. Presidential Declaration of Major Disaster

If a PJ is located in an area in which a declaration of major disaster pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act is made, HUD may reduce the PJ's matching requirement by up to 100 percent for the fiscal year in which the declaration of major disaster is made and the following fiscal year for a local PJ; for a State PJ during that same period, the matching requirement may be reduced by up to 100 percent with respect to any funds expended in the area to which the declaration of major disaster applies.

III. Reduction for Fiscal Distress

Attachments A and A-1 lists all local jurisdictions eligible for a formula allocation in Fiscal Years 1996 and 1997, respectively, and indicates which are in fiscal distress or severe fiscal distress. The local jurisdictions which meet one of the distress criteria are determined to be in fiscal distress and receive a 50 percent reduction of match. Those jurisdictions which satisfy both of the distress criteria are determined to be in severe fiscal distress and receive a 100 percent reduction in match.

Attachments B and B-1 lists for Fiscal Years 1996 and 1997, respectively, the States, including the District of Columbia and Puerto Rico, which are defined as States by the HOME statute, and indicates which are in fiscal distress or severe fiscal distress. States that satisfy one of the criteria are considered in fiscal distress and receive a 50 percent match reduction. States that satisfy at least two of the three distress criteria are considered in severe fiscal distress and receive a 100 percent match reduction.

IV. Distress Criteria

The poverty criterion has two parts--the first is based on percent of families in poverty and the second is based on percent of families and elderly households in poverty. If a jurisdiction's poverty rate is 125 percent or more of the average national poverty rate under either or both parts, the jurisdiction qualifies as being distressed based on the poverty criterion. In 1990 (the latest year for which information is available) the average national rate for families in poverty was 10.6 percent and for families plus elderly households in poverty, the average national rate was 12.5 percent. Thus, for a jurisdiction to qualify as distressed based on poverty, its percent of families in poverty must be 13.2 percent or higher and/or the percent of families in poverty plus elderly households in poverty must be 15.6 percent or higher.

To qualify under the per capita income (PCI) criterion, the PCI for the jurisdiction must be less than 75 percent of the national average (which was \$14,277 in 1989--latest available data) or less than \$10,708.

For States, to qualify under the personal income growth rate, the State's rate must be less than 75 percent of the average national personal income growth rate during the most recent four quarters. The average national personal income growth rate from the second quarter of 1994 to the end of the second quarter of 1995 was

5.8 percent and the threshold level was 4.3 percent. The average national personal income growth rate from the second quarter of 1995 to the end of the second quarter of 1996 was 5.5 percent and the threshold level was 4.0 percent. States qualifying under this factor experienced income growth of 4.3 percent or less during the 1994-1995 period and income growth of 4.0 percent or less during the 1995-1996 period.

V. Period of Match Reduction

The period of match reduction is for two fiscal years. The reductions listed for FY 1996 apply to FY 1996 and FY 1997. The reductions listed for FY 1997 apply to FY 1997 and FY 1998. A PJ may be entitled to a greater reduction in a subsequent fiscal year. In that case, the PJ may use the higher reduction for a two-year period.

VI. Match Reductions Due to Presidentially-Declared Disasters

Field Offices must notify Headquarters of match reductions approved due to Presidentially-Declared Disasters. The notification which is to include a copy of the approval letter to the participating jurisdiction and the declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act should be sent to: Office of Affordable Housing Programs, Attention: Patricia Mason.